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REPORT OF THE SECRETARY-GENERAL PURSUANT TO PARAGRAPH 11 OF RESOLUTION 986 (1995)

I. INTRODUCTION

1. The present report is submitted to the Security Council pursuant to paragraph 11 of resolution 986 (1995), of 14 April 1995, in which the Council requested the Secretary-General to report to it prior to the end of the 180-day period starting from the date of entry into force of paragraph 1 of the resolution. It provides information on the distribution of humanitarian supplies throughout Iraq pursuant to resolution 986 (1995), including the implementation of the United Nations Inter-Agency Humanitarian Programme in the three northern governorates of Dahuk, Arbil and Sulaymaniyah. Furthermore, the report notes the work of the Secretariat in processing applications to the Security Council Committee established by resolution 661 (1990) of 6 August 1990, the activities of the oil overseers and the United Nations independent inspection agents (Saybolt and Lloyd's Register) and the current status of the United Nations Iraq Account. In addition, it includes my observations on the adequacy of oil revenues received under the resolution in meeting Iraq's humanitarian needs and on Iraq's capacity to export sufficient quantities of petroleum and petroleum products to generate $1 billion every 90 days.

2. Since my last report to the Council, of 10 March 1997 (S/1997/206), there has been notable progress in the implementation of resolution 986 (1995). As at 30 May, total oil sales had reached 119.5 million barrels. Receipts in the United Nations Iraq Account at the Banque nationale de Paris had reached $1.7 billion. As at 30 May, 630 applications for exports of humanitarian supplies to Iraq had been received by the secretariat of the Security Council Committee. Of the 574 circulated to the Committee, 331 were approved, 191 placed on hold and 14 blocked, and 38 are pending under the "no-objection" procedure or awaiting clarification. Food commodities began arriving in Iraq on 20 March and related United Nations observation commenced immediately thereafter. By the end of May, 691,648 tons of food had reached Iraq. Pharmaceuticals began arriving on 9 May.

3. The Steering Committee, chaired by the Under-Secretary-General for Humanitarian Affairs, has met periodically in order to ensure proper coordination and efficient use of staff and resources. At the request of the

Security Council Committee and in consultation with the Iraqi authorities, the Department of Humanitarian Affairs has drawn up lists indicating the relative priority of different applications for humanitarian supplies so as to facilitate the work of the Committee. Similarly, the Department has facilitated the approval of applications submitted by United Nations agencies. Senior Secretariat officials have briefed the Security Council Committee on a regular basis on the implementation of resolution 986 (1995). In order to strengthen the administrative and logistical support to the United Nations Office of the Humanitarian Coordinator in Iraq, those responsibilities have been entrusted to the Field Administration and Logistics Division.

4. The Under-Secretary-General for Humanitarian Affairs, Mr. Yasushi Akashi, visited Iraq between 3 and 9 May to assess the progress in the implementation of resolution 986 (1995) throughout the country and on 22 May he briefed the Security Council on his findings. In response to concerns raised by both the Government of Iraq and United Nations agencies about delays in the arrival of humanitarian goods in Iraq and potential disruptions in food distribution, Mr. Akashi explained the Secretariat's persistent efforts to improve the handling of applications. In that connection, a number of proposals were also made by the Government of Iraq. At the same time, Mr. Akashi noted the dedication and resourcefulness of the United Nations observers, who had travelled extensively throughout all the governorates. In addition, other senior officials of the Secretariat have recently visited Iraq to review implementation and discuss concerns arising from implementation to date.

II. SALE OF PETROLEUM AND PETROLEUM PRODUCTS

5. The approval of oil contracts by the oil overseers has proceeded as planned. The overseers have continued to advise the Security Council Committee on the pricing mechanisms for sales of petroleum, contract modifications, management of the combined 180-day revenue objective of $2.14 billion (including the pipeline fee) and other pertinent questions related to imports, under resolution 986 (1995), of petroleum originating in Iraq.

6. The overseers have reviewed and approved a total of 51 contracts involving 35 different purchasers. The total quantity of oil approved for export and lifted under those contracts corresponds to approximately 121 million barrels for the 180 days. About 57 per cent of the 114 liftings have been made at Ceyhan in Turkey.

7. In the first 90 days, 51.6 million barrels were lifted, 0.7 million less than the total of all approved term and spot contracts for that period. Three cargoes, totalling 2.5 million barrels, were scheduled for the last week of the first 90 days but slipped into the second 90-day period because of operational problems. The total revenue generated from the liftings was $1.034 billion. With the approval of the Committee, the shortfall of $37 million was carried forward to the second 90 days.

8. For the second 90 days, 65 liftings, totalling 67.9 million barrels, at an estimated value of $1.116 billion, have been completed. Three of the liftings are delayed loadings from the first 90 days. In May, market prices jumped to

such a level that total revenue generated by delivering the remaining contract volumes for the second 90-day period would be somewhat in excess of the 180-day objective of $2.14 billion (including the pipeline fee), if prevailing prices remained unchanged. On 23 May, the Committee reached an understanding for dealing with possible excess revenues over the 180-day objective of $2.14 billion that might result from uncertainties in the oil market.

9. As required under paragraph 11 of resolution 986 (1995), I wish to report, based on the assessment of the overseers and the independent inspection agents (Saybolt), that Iraq has the capacity to export sufficient quantities of petroleum and petroleum products to meet the revenue target of $1 billion every 90 days. I should add that the work of the above independent inspection agents, who are responsible for monitoring the relevant oil installations in Iraq and at Ceyhan, Turkey, has also been proceeding smoothly. They have enjoyed the full cooperation of Iraqi and Turkish authorities.

III. PURCHASE AND CONFIRMATION OF ARRIVAL OF HUMANITARIAN SUPPLIES

10. Some difficulties have arisen in the processing of applications by the Security Council Committee owing to the complexity of the arrangements resulting from resolution 986 (1995), the Memorandum of Understanding and the procedures adopted by the Security Council Committee. In view of those difficulties, the Committee has adopted a number of measures intended to facilitate a more expeditious processing of contracts. On my part, I have taken steps to reinforce the Secretariat team responsible for processing applications and to streamline its internal working procedures. As a result, the pace at which contracts are being processed by the Secretariat has improved. However, other difficulties beyond the control of the Secretariat still remain. I am hopeful that, in cooperation with the Committee, those difficulties can be effectively addressed.

11. As at 30 May, 630 applications for exports of humanitarian supplies to Iraq had been received by the secretariat of the Security Council Committee. Of the 574 circulated to the Committee, 331 were approved, 191 placed on hold and 14 blocked, and 38 are pending under the "no-objection" procedure or awaiting clarification. Some applications are screened and processed according to priority lists approved by the Committee.

12. The 32 independent inspection agents provided by Lloyd's Register have been authenticating the arrival in Iraq of humanitarian supplies at the agreed entry points. They have ensured that all consignments received in Iraq under resolution 986 (1995) are in compliance with defined requirements, possess a value in accordance with internationally accepted trade practice and are of declared quality and quantity. They have received full cooperation from the Iraqi authorities. The independent inspection agents report daily on their activities to the secretariat of the Security Council Committee. The information provided by them is routinely shared with the Office of the Humanitarian Coordinator in Iraq. Throughout this second 90-day period, authentication of the goods has been taking place at an increasing rate at all three entry points.

IV. UNITED NATIONS IRAQ ACCOUNT

13. As at 28 May 1997, the United Nations Treasury had processed letters of credit for approximately $2.11 billion worth of petroleum. Proceeds amounting to a total of $1,747,405,752.62 had been deposited into the United Nations Iraq Account at the Banque nationale de Paris and letters of credit amounting to $465.9 million had been issued by the Banque nationale de Paris on behalf of the United Nations for the payment of humanitarian supplies destined for the whole of Iraq.

14. The distribution of the funds received in the United Nations Iraq Account and related expenditures are as follows:

(a) $878.4 million has been allotted for the purchase of humanitarian supplies by the Government of Iraq, as specified in paragraph 8 (a) of resolution 986 (1995). Expenditures recorded for contracts for humanitarian supplies approved by the Security Council Committee amount to $572.0 million;

(b) $215.4 million has been allotted for the purchase of humanitarian goods to be distributed in the three northern governorates by the United Nations Inter-Agency Humanitarian Programme, as specified in paragraph 8 (b) of the resolution. Expenditures recorded for humanitarian goods contracts approved by the Security Council Committee amount to $49.4 million;[1]

(c) $497.2 million has been transferred directly to the United Nations Compensation Fund, as specified in paragraph 8 (c) of the resolution. Of that amount, $151.3 million has been allotted for the payment of the first instalment of "A" and "C" claims ($144.0 million) and for the operating expenses of the Compensation Commission ($7.3 million);

(d) $36.5 million has been allotted for the operational and administrative expenses of the United Nations associated with implementation of resolution 986 (1995), as specified in paragraph 8 (d) of the resolution. Expenditures for administrative costs for all United Nations entities involved in implementing the resolution amount to $20.3 million;

(e) $13.3 million has been transferred to the United Nations Special Commission for its operating requirements, as specified in paragraph 8 (e) of the resolution; of that amount, $13.0 million has been allotted for the operating expenses of the Special Commission;

(f) $90.0 million has been set aside to cover transportation costs for petroleum and petroleum products originating in Iraq that are exported via the Kirkuk-Yumurtalik pipeline through Turkey, as foreseen in paragraph 8 (f) of resolution 986 (1995) and in accordance with procedures established by the Security Council Committee;

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[1] In addition to these expenditures, funds under this account will be utilized to reimburse the account for purchase of humanitarian supplies for central and southern Iraq, for food and medicine delivered to the three northern governorates under the bulk purchase arrangement with the Government of Iraq.

(g) $16.6 million has been transferred directly to the escrow account established pursuant to resolutions 706 (1991) of 15 August 1991 and 712 (1991) of 19 September 1991 for the payments envisaged under paragraph 6 of resolution 778 (1992) of 2 October 1992, as specified in paragraph 8 (g) of resolution 986 (1995).

15. In accordance with paragraph 7 of resolution 986 (1995), the United Nations Iraq Account will be audited by the Board of Auditors, which will prepare a report on the financial statements covering the period from the establishment of the United Nations Iraq Account to 30 June 1997.

V. IMPLEMENTATION OF THE DISTRIBUTION PLAN

16. Prior to April 1997, the food ration provided by the Government of Iraq satisfied about 50 per cent of daily caloric need and did not meet the full requirement for energy, protein and most essential vitamins and minerals. Furthermore, economic difficulties prevented many Iraqi families from fully complementing their food requirements through market purchases. Consequently, their nutritional status had deteriorated significantly. In April 1997, the United Nations Children's Fund (UNICEF), the World Food Programme (WFP) and Iraq's Nutrition Research Institute carried out a nutritional survey of 15,000 children under five years of age in 87 primary health care centres in the 15 central and southern governorates. Results showed that 25 per cent of the children were malnourished, of whom 27 per cent were chronically malnourished and 9 per cent acutely malnourished.

17. Food commodities enter Iraq from Trebil, on the border with Jordan, Habur/Zakho, on the border with Turkey, and at the port of Umm Qasr in southern Iraq. In Trebil and Umm Qasr, government offices ("reception centres") are responsible for dispatching trucks using a computerized system aligned to the Ministry of Trade's allocation plan, which shares goods between governorates in proportion to their population. Commodities delivered to Habur/Zakho are received at the Nineveh Exchange Centre for onward dispatch. Each centre produces a daily distribution plan indicating the amounts dispatched to each governorate. This is made available to United Nations observers. Wheat is sent either to governorate silos or, on occasion, directly to mills for processing. Flour agents collect flour stocks at the mills. Other commodities are collected in the warehouses by the retail agents.

18. In principle, under the government ration system, all Iraqi citizens, together with foreign residents in Iraq, are entitled to a ration card. Beneficiaries should receive identical quantities of rationable commodities, with the exception of children under one year, who are entitled to receive infant formula, detergent and soap. A nominal fee of 105 Iraqi dinars is paid by each food beneficiary towards transport and administrative costs. The registration system is continuously updated in response to population change. In the central and southern governorates, there is a heavy financial penalty for providing false information and not updating births, deaths and changes of residence. The Ministry of Trade uses 45,693 food and flour retail agents from the private sector to distribute commodities to beneficiaries. Families collect their monthly food basket with ration coupons, which retail agents present to

the local distribution centres to receive the following month's stock. The food/flour agents are regularly checked for the accuracy of their scales by government officials. The licence of a ration agent is revoked if 51 per cent of the families served by him/her file complaints against him/her.

19. Food commodities began arriving in Iraq on 20 March 1997. By April, wheat (supplemented by 40,000 tons of wheat from government stocks) was milled and made available in sufficient quantities for the nationwide distribution of the flour ration. As at 28 May, a total of 691,648 tons of food, soap and detergent was expected to have arrived in Iraq, which was 29 per cent of the total allocation for food and related items in the distribution plan. The arrival of other commodities enabled distribution to take place in May for pulses, rice, cooking oil, detergent powder, soap and infant formula for children under one year. Salt, sugar and tea were distributed from stocks at existing levels as deliveries under resolution 986 (1995) had not been sufficient for a monthly distribution.

20. The first delivery of medical supplies under resolution 986 (1995), a small quantity of intravenous solution, arrived on 9 May. After standard quality control tests in Baghdad, the supplies were distributed to hospitals in all governorates, according to the plan agreed upon by the Ministry of Health and the World Health Organization (WHO). Limited amounts of medical equipment had arrived by 27 May, but none had been distributed as of that date.

21. In anticipation of the arrival of goods for other sectors, the relevant Iraqi authorities have provided details of planned distribution. Thus the Food and Agriculture Organization of the United Nations (FAO) has agreed on an allocation plan with the Ministry of Agriculture. The United Nations Educational, Scientific and Cultural Organization (UNESCO) and UNICEF have received an updated allocation plan from the Ministry of Education for supplies to 2,250 schools in the central and southern region.

Implementation of the distribution plan by the United Nations in the three northern governorates

22. Under resolution 986 (1995), the United Nations Inter-Agency Humanitarian Programme has the responsibility for distribution of humanitarian supplies on behalf of the Government of Iraq in the three northern governorates. The assessment of the humanitarian needs in those governorates was undertaken by the United Nations Programme in consultation with local authorities and incorporated into the distribution plan. Committees have been established to maintain liaison with the United Nations. In addition to well-established offices of the United Nations Office of the Humanitarian Coordinator in Iraq, WFP, UNICEF and FAO, the United Nations Development Programme (UNDP), WHO, UNESCO and the United Nations Centre for Human Settlements (Habitat) have recently opened new offices headed by international staff. In general, there has been an acceptable level of security for United Nations operations, although there have been occasions when brief inter-factional clashes have impeded the implementation of resolution 986 (1995). On 14 May, Turkish troops entered northern Iraq. United Nations personnel have monitored the situation closely for its potential impact on their activities. While there have been no major disruptions in deliveries, the United Nations is nevertheless concerned that, were hostilities in the region to

continue or escalate, it might become necessary for United Nations agencies and local authorities to modify distribution procedures.

23. In order to make a better assessment of the nutritional needs of the population in the three northern governorates, UNICEF undertook a multiple indicator cluster survey in August 1996. The survey randomly sampled 2,175 households in all three governorates and revealed that 19.3 per cent of children under five years were malnourished, of whom 26 per cent were chronically malnourished and 4 per cent acutely malnourished. Until the arrival of foodstuffs authorized under resolution 986 (1995), there had been targeted food distribution to only some 25 per cent of the population. In the absence of updated figures on population in the three northern governorates and because of population displacement, WFP began a registration process in August 1996, in collaboration with local food departments. As a result of the political conflict in the region and the significant movements of population between governorates, the process was complicated and labour-intensive. It involved the distribution of registration forms and cross-checking and correction of discrepancies. A mechanism for processing complaints has been established. Ration cards were printed and distributed to families through food agents in April. Information on the list of beneficiaries is updated regularly through house-to-house surveys. According to preliminary data, the total population in the three northern governorates as at 20 May was estimated at 3,081,833 (Dahuk 688,894, Erbil 1,064,368 and Sulaymaniyah 1,328,571). This information has been used by all United Nations entities to update their sectoral implementation plans. Although the registration in Dahuk and Sulaymaniyah was conducted satisfactorily, WFP experienced some difficulties over the final stages of the population census in Erbil but has been promised full cooperation in finalizing the census. With regard to the actual distribution of commodities, WFP has experienced no difficulties.

24. The management of food distribution in the northern governorates of Erbil, Dahuk, and Sulaymaniyah is under the direct control of WFP. It has assumed control of warehouses in Mawşil and Kirkuk, which have been renovated and made available free of charge by the Government of Iraq. WFP has printed appropriate stock control documentation for these facilities and deployed international staff to both locations. After competitive bidding, one transport company has been selected from each of the three northern governorates to transport commodities from the warehouses and the government mills in Mawşil and Kirkuk to WFP warehouses in Dahuk, Erbil and Sulaymaniyah. WFP obtained special permission to allow contracted vehicles to move freely at checkpoints. WFP uses 10,442 independent food and flour agents to reach beneficiaries; these agents charge an equivalent fee to that collected in central and southern Iraq.

25. As the principal agency in the health sector, WHO has submitted 99 applications amounting to $4,207,082 from a total allocation of $6,700,000 for the purchase of medical, dental and laboratory equipment. Its plans to improve the storage conditions of medicines include the installation of an integrated computer software system compatible with the rest of the country. WHO is also reinforcing the existing distribution system for pharmaceuticals.

26. In the agricultural sector, FAO has submitted two applications for insecticides, seeds, irrigation and agricultural equipment totalling $19,538,438

from an allocation of $20,150,000. UNICEF has completed a risk mapping exercise to finalize allocation plans in health, nutrition, water, sanitation and education. Risk mapping has shown that less than 50 per cent of the population have access to water and projects therefore include the rehabilitation of 150 pump houses and 100 water projects. Local counterparts are being trained in the design of piped water supply schemes and water surveying. To date, the 22 UNICEF applications submitted to the Security Council Committee total $14,100,789 from an overall allocation of $20,200,000.

27. UNESCO is using risk mapping data to identify vulnerable areas and has surveyed 120 schools to pinpoint needs. Tendering and contracts for school rehabilitation worth $1,675,424 have been completed out of a total allocation of $5,150,000; warehousing and workshops for school equipment have been secured. In the energy sector, UNDP has submitted 26 applications valued at $8,665,519 out of a total allocation of $13,170,000 for the restoration of electricity in the three northern governorates.

28. The presence of mines, mostly in Sulaymaniyah, is of serious concern and a budget of $2.5 million has been allocated for mine-related activities. The Department of Humanitarian Affairs has entered into an arrangement with the United Nations Office of Project Services to implement mine-related activities under resolution 986 (1995). This programme will assist in rendering agricultural areas safe for cultivation and facilitating village resettlement. A plan of action has been finalized and a list of required equipment prepared. The recruitment of five international staff is under way. UNICEF will be responsible for implementing the mine-awareness component of the programme and is currently preparing relevant material.

29. The number of internally displaced persons has continued to grow as a result of continued factional clashes and the displacement of Kurds from Kirkuk by the Government of Iraq. Shelter and resettlement activities in the northern governorates have started with the planning of infrastructure and rehabilitation projects, particularly in support of internally displaced persons. To date, the United Nations Centre for Human Settlements has received $3,140,000 out of a total allocation of $12 million to procure materials and services for the rehabilitation and construction of infrastructure and shelter in Erbil, Dahuk and Sulaymaniyah. Following his recent visit to several camps for internally displaced persons in Sulaymaniyah, the Under-Secretary-General for Humanitarian Affairs established an inter-agency task force to ensure that much-needed assistance was provided in an integrated manner.

VI. ADMINISTRATIVE AND LOGISTICAL SUPPORT

30. Since my last report, much progress has been achieved in the logistical support of the mission. The United Nations Office of the Humanitarian Coordinator in Iraq is now based in two separate buildings in Baghdad. Rotating teams of geographical observers operate from Basrah, Mawṣil and Kirkuk. A central inventory of all equipment purchased in support of United Nations operations is being maintained by the Office. The establishment of the United Nations country-wide communications system is in its final stages. The satellite earth station in Erbil became operational on 27 April, enabling

effective communication with Baghdad. A new telephone exchange has been installed at the United Nations Office. The Government of Iraq has given approval for the installation of the United Nations VHF network in the centre and south. This will allow observers to communicate with United Nations headquarters, which is critical for their security and ability to report in a timely manner. The Central Bank of Iraq has approved the use of the prevailing market rate of exchange for the conversion of United States dollars to Iraqi dinars. In addition, the recent receipt of some 45 new vehicles, as well as additional computers and printers, will greatly improve the current situation for all implementing agencies.

VII. OBSERVATION MECHANISM AND ACTIVITIES

31. As at 30 May, a total of 132 out of 151 international observers were deployed in central and southern Iraq: 61 geographical observers, 14 multidisciplinary observers and 57 sectoral observers (37 from WFP, 9 from WHO, 8 from UNICEF, 2 from FAO and one from UNESCO). The remaining sectoral observers will be fielded by agencies prior to the arrival of the relevant commodities. Some 41 geographical observers are fielded daily and are deployed in pairs to work on a tour of five days in Baghdad and the surrounding governorates, followed by a longer tour of 12 days in the more distant governorates. In the food sector, 22 international observers assisted by 150 national staff are deployed by WFP daily in each of the central and southern governorates in teams consisting of one or 2 international observers and 10 local assistants. Geographical and sectoral observers submit observation reports either daily or weekly. The Humanitarian Coordinator brings any major discrepancies to the attention of the Government of Iraq for corrective action.

32. In the food sector, observers track commodities from their arrival to governorate warehouses, silos and mills. At governorate warehouses, observers check the quantities of commodities received, the dates of arrival and the contract numbers. Stock checks are conducted and, if discrepancies are found, they are discussed with warehouse officials and noted in observation reports. At silos, observers note contract numbers, the amount of grain received and dispatched to mills on a weekly basis and storage conditions. Sectoral observers also relate letters of credit numbers to the Security Council Committee contract numbers and check the quality of the wheat. Samples of the wheat flour produced are collected by WFP to make a comparative evaluation of flour produced in all governorates. Random spot checks of flour/food agents and households in rural and urban areas are also made by WFP to verify that the distribution of commodities is carried out efficiently and equitably. Geographical observers interview beneficiaries in streets, markets and at food/flour agents to check whether families have received their rations and how many days each commodity lasts. WFP is conducting household surveys and spot checks to obtain more detailed information on food security issues.

33. The Multidisciplinary Observation Unit (MDOU) comprises international experts, who maintain liaison with United Nations agencies to coordinate the overall observation strategy in the following sectors: food logistics, pharmaceuticals, nutrition, water/sanitation/chemicals, public health, hospital equipment, agricultural inputs and machinery, education and electricity. Based

in Baghdad, this Unit prepares its own independent weekly analysis of the findings of the Geographical Observation Unit (GOU) and sectoral agencies for direct transmission to the Department of Humanitarian Affairs in New York. The MDOU also utilizes data collected by the GOU and agencies to track commodities from their arrival in Iraq through to their final distribution. Tracking requirements vary according to each sector. In the food sector, commodities are tracked by reference to documents such as Lloyd's Register's authentication of goods arriving in Iraq; computer printouts obtained from warehouse managers; computer allocation of goods; and observation forms compiled by United Nations personnel showing actual stock positions. Any discrepancies are investigated by the MDOU. The aim of the tracking is to ensure that commodities are received according to contract and are distributed equitably to governorates and then on to beneficiaries in a systematic way. Statistical random sampling methods are used to carry out spot checks at food/flour agents.

34. Deployment strategies and guidelines have been produced in consultation with the GOU and relevant United Nations agencies. The initial deployment of United Nations observers focused on following incoming commodities through the key points in the distribution system. As the quantity of goods increased, attention shifted to covering as many of the facilities involved as possible. All of the mills and silos used for wheat grain processing have been visited regularly. Now that observers have increased their familiarity with the tracking of resolution 986 (1995) commodities, attention is being paid to undertaking a wider range of checks in areas of specific concern.

35. The three-tier observation system for resolution 986 (1995) comprises the GOU, sectoral agencies and the MDOU. In the case of food, the GOU and WFP report separately on their observation visits to key points along the Iraqi distribution mechanism. At headquarters in Baghdad, both groups enter quantitative and qualitative information from observer reports onto their respective databases. At the end of every week, the information is synthesized into a narrative account supported by statistical tables and sent to the MDOU. If discrepancies are found in the GOU and WFP reports, multidisciplinary observers provide an independent assessment. Consequently, the three-tier observation system provides checks and balances in order to ensure confidence in both the coverage and outcome of the observation process.

36. Prior to the first arrivals of medical supplies on 9 May, WHO observers had conducted a thorough assessment and analysis of the drug distribution system of the Government. A computerized programme had also been set up to follow medical supplies as they arrived, which, for the first time, allowed the speedy monitoring of stock positions country-wide, as well as an immediate check of the actual availability within each governorate. The computerized programme includes a master list of all medical items included in the distribution plan, with the Security Council Committee reference number. In this way, all shipments can be carefully monitored at all levels of the drug distribution system. At present, WHO has four teams of observers in central and southern Iraq; each team is composed of one international pharmacist assisted by one national pharmacist. A follow-up mechanism has been developed by the Ministry of Health and the MDOU in cases where discrepancies are identified during observation. WHO has also been in contact with the quality control laboratory

in Baghdad to ensure that no delays hamper the timely distribution of drugs and medical supplies.

37. Although as at 26 May no commodities other than food and medicine had reached Iraq, the United Nations observation mechanism continued preparations in the other sectors to observe their eventual distribution. Thus, in collaboration with relevant departments, FAO has established observation procedures and has suggested a priority list of projects to be implemented as soon as they are approved by the Security Council Committee. To ensure adequate storage of incoming commodities, FAO is now preparing warehouses in Baghdad and Basrah, in cooperation with the Ministry of Agriculture. In addition, because of their potential dual use, all equipment and commodities used for agricultural spraying are strictly controlled by FAO, which also manages a warehouse storing required helicopter spare parts. With regard to the water and sanitation sector, UNICEF has updated its database and developed a system to track the delivery of all supplies. UNICEF and UNESCO have agreed on observation responsibilities with regard to education and UNDP has refined the observation criteria for the electricity sector.

38. From the time food commodities began to arrive in Iraq on 20 March until 30 May, geographical observers had conducted a total of 5,280 visits in the 15 central and southern governorates of Iraq: 267 to the 24 warehouses; 187 to the 19 silos; 570 to the 99 mills; 2,021 to food/flour agents; and 2,235 interviews with beneficiaries.

39. Over the past three months, United Nations personnel have enjoyed the requisite freedom of movement. Visas are granted to all staff promptly; they are issued upon arrival at Habbaniyah airport, which the Government of Iraq has authorized for the use of international staff. Identity cards from the Ministry of Foreign Affairs, which permit unrestricted travel throughout the country, have now been issued to all observers and other staff involved in implementing resolution 986 (1995). In the 15 central and southern governorates, the overall security situation for United Nations personnel and their operations has been stable.

40. In general, through sustained liaison, United Nations observers have been granted satisfactory access to relevant information and to Iraqi officials. Contact with officials in warehouses, silos and mills and with food/flour agents has been generally smooth. With regard to relations with the government facilitators, government complaints have been expressed on four occasions about the pertinence of some questions asked by observers and their attitude as regards local traditions. The United Nations Humanitarian Coordinator has also expressed concern about five occasions when facilitators have interfered with the observation process, including interviews with food/flour agents and beneficiaries. These issues have been resolved to the satisfaction of the United Nations and the Government of Iraq. The United Nations will continue to keep all these concerns under close review to ensure that the work of observers remains unimpeded.

41. As at 30 May, out of 20 allocated United Nations observers, 15 were deployed in the three northern governorates: 3 geographical observers and 12 sectoral observers (3 from WFP, 4 from WHO, 2 from FAO and one each from UNICEF,

UNESCO and UNDP). In observing food distribution, 3 WFP international observers and 80 national staff are fielded daily. In response to complaints from local authorities in Erbil that the wheat flour distributed in April was not fit for human consumption, WFP sent samples to laboratories abroad. The results clearly showed that the quality of the wheat flour met accepted international standards.

42. An observation plan for the discribution of medical goods was drawn up by WHO in consultation with local authorities in April. It was put into effect upon the arrival of the first medical supplies in Dahuk, Erbil and Sulaymaniyah on 28 May. The shipment, a small quantity of intravenous solution, was unloaded at the WHO-managed warehouse in Erbil and immediately inspected. On 29 May, distribution started in Erbil, Dahuk and Sulaymaniyah in the presence of United Nations observers.

VIII. OBSERVATIONS ON EFFICIENCY, EQUITABILITY AND ADEQUACY

43. The United Nations is responsible for determining whether efficient, equitable and adequate distribution of commodities has occurred. To date, the only sector represented in sufficient quantities to assess whether equitable distribution has taken place has been food and related items.

Efficiency

44. With minor exceptions resulting from normal handling losses and packaging damages, the commodities have been transported efficiently throughout the country; clear, up-to-date computer and manual records on commodities are kept in the governorate warehouses; foodstuffs are consistently stored in hygienic conditions; and food/flour agents collect the rations for their clients according to plan, following a monthly calendar. Since 20 March, United Nations observers have not detected any significant or unacceptable losses during the handling and processing of resolution 986 (1995) commodities. To date, at Umm Qasr, losses during handling amounted to 1.3 per cent, which is considered acceptable. Observers regularly report on any wastage due to poor storage during transport to governorates/beneficiaries if it occurs. No major discrepancies have been reported, however. Losses through rain damage have been insignificant. One truck was hijacked in Basrah and the Iraqi authorities are investigating.

45. With regard to the processing of wheat, analyses have shown that the average national extraction rate is about 90 per cent yield of flour. There was little difference between mills, with extraction rates ranging between 87.6 and 90.2 per cent. However, geographical and sectoral observers have noted repeatedly that many mills currently operate at maximum capacity with outdated equipment, thereby creating a risk of breakdowns that could have a negative effect on the production of flour. Port equipment in Umm Qasr, such as vacuum suction pumps for off-loading bulk cargo, oblique gantry cranes, forklifts and mobile cranes, are also required.

Equitability

46. Sufficient observations at the governorate level were carried out during April and May to indicate that the distribution system is working equitably to bring available commodities to all governorates. Ministry of Trade allocations to governorates have been verified by spot checks on warehouse stock levels. WFP reports that virtually no governorate appears to have received significantly less of any single commodity. Results of observations so far confirm that registered beneficiaries have received their rations. No major discrepancies were reported in the central and southern governorates. In the three northern governorates, a few cases of irregularities have been reported, such as double registration, inaccurate scales and extra charges added by some food agents. Throughout the country, all indications suggest that, during the two months of the actual distribution of commodities, all citizens registered under the ration system were receiving a quantitatively and qualitatively identical food basket. In April, official statistics, checked by WFP, showed that 22.1 million Iraqis had received the upgraded flour ration.

47. United Nations observers have begun to focus attention on areas of specific concern in order to verify guaranteed access to the rationing system for all segments of the Iraqi population. In this respect, the MDOU has produced guidelines that are being used by geographical and sectoral observers. These guidelines distinguish three possible reasons why citizens might not be receiving the resolution 986 (1995) rations to which they are entitled: the person is in the process of registering, the person has chosen not to register or the person has been denied registration Should anyone appear to have been denied access to resolution 986 (1995) rations, verification by another GOU or WFP team takes place, followed by an audit by the MDOU to confirm or question the original findings. This procedure is designed to ensure that a thorough and authoritative conclusion is reached. To date, 2,267 observations have been carried out in the governorates of Basrah, Dhi Qar, Maysan and Ta'mim following the agreed procedures. One purpose of the visits is to attempt to locate groups of people who may have been denied access to the rationing system. Although no systematic irregularities with the registration/distribution system have been identified, following reports that some 400 families had been evicted from Kirkuk, the United Nations Humanitarian Coordinator approached the Government of Iraq to ensure that their entitlement to resolution 986 (1995) rations had not been affected. The United Nations has taken action to provide such rations to families who have reached Erbil and Sulaymaniyah. Subsequently, the Humanitarian Coordinator was assured by the Government of Iraq that these evictions had been halted and that some families had already returned.

Adequacy

48. United Nations nutritionists have concluded that the current food ration under resolution 986 (1995) provides food and nutrient supply at basic survival level. It provides 2,030 calories, which can be compared with a desirable minimum of not less than 2,500 calories per capita per day. Compared with basic survival needs, WFP estimates that the resolution 986 (1995) food basket supplies 93 per cent of the caloric needs, 100 per cent of required protein and 97 per cent of thiamine needs. However, it covers only 69 per cent of iron, 41 per cent of niacin and vitamin B12 and 13 per cent of calcium. The vegetable

oil, fortified with vitamin A, has not been assessed in terms of adequacy at the individual level. Since iron deficiency is an issue of public health concern, there is scope to improve further the nutritional status of expectant women and children through the fortification of flour with iron. Even if the ration were to be upgraded to provide 2,500 calories per day, there might be little real impact on nutritional status until there were significant improvements in health services, sanitation and access to clean water.

49. Any assessment of the adequacy of resolution 986 (1995) medical supplies in meeting the health needs of the population is hampered by the slow and partial arrival of medicines and medical supplies. Indeed, the continuous degradation of the health sector has been exacerbated by this situation. According to information provided by the Ministry of Health, no more than 4 per cent of the medicines needed in Iraq were available during the past five months. The number of surgical operations, performed mostly for emergencies, has decreased by 17 per cent and laboratory tests by 8 per cent compared with the same period in 1996. The present low bed occupancy rate in hospitals and the low use of health facilities does not reflect the magnitude of morbidity, which would be the basis for a realistic assessment of adequacy. It is hoped that, with the arrival of significant quantities of pharmaceuticals and medical supplies, it will be possible to apply standard indicators that will help to assess the health situation more adequately. To that end, an inter-agency working group (WHO, UNICEF, the GOU and the MDOU) has been established. In addition, a joint working group between the Ministry of Health and WHO has been set up to collect information at the facility level. This will be used for an objective assessment of the impact of arrivals on the quality of care and of the general adequacy of medical supplies to meet the needs of the country.

50. Although the non-arrival to date of supplies for the water, sanitation, agricultural, education and electricity sectors makes it impossible to comment from observation on the adequacy of those inputs, United Nations agencies stress that the allocations in the distribution plan are not, in their assessment, sufficient to meet the basic needs of their relevant sectors. For example, in the electricity sector, the power supply system is in a precarious condition, adversely affecting water supplies and medical services. Power cuts range from 2 to 20 hours a day in most regions. The funds needed to rehabilitate the power system in the central and southern regions to a minimal level are estimated at a much higher figure than the funds allocated in the distribution plan; the same applies to the situation in the three northern governorates. Monthly water quality control data have shown consistently high rates of contamination throughout the 15 central and southern governorates, with more than 40 per cent in Basrah and Dhi Qar. Overall, water systems are estimated to be working at less than 50 per cent capacity, which has severely reduced access to potable water. The non-arrival of agricultural inputs has not only delayed improvements to this sector, but has also left unchecked a worsening situation, with endemic and zoonotic diseases on the increase.

51. Recently, United Nations agencies have highlighted urgent needs that are not covered in the present distribution plan. For example, in the food sector, WFP continues to assist vulnerable groups throughout the country who are in need of targeted nutritional assistance in addition to the food ration. Similarly, internally displaced persons in northern Iraq and in the governorates of

Nineveh, Basrah and Nasiriyeh require additional assistance, estimated at $2 million, for the provision of non-food items (blankets, cooking utensils, heaters) and the rehabilitation of their living quarters. In the agricultural sector, FAO considers that resolution 986 (1995) is not covering emergency needs (for example, campaigns to control screw worm outbreaks, vegetable seed requirements or animal vaccination campaigns in central and southern Iraq). These inputs are valued at approximately $4.3 million. In the field of education, UNESCO believes that a sum estimated at $1.8 million is required for projects to support street children and handicapped children and for the rehabilitation of day care centres in disadvantaged regions of Iraq. Finally, UNICEF is of the opinion that $13.5 million is required to meet urgent humanitarian needs, inter alia, for immunization, nutrition or access to water and sanitation.

IX. OBSERVATIONS

52. The programme authorized by the Security Council in its resolution 986 (1995) is unique among all humanitarian assistance operations undertaken by the United Nations in that it seeks to mitigate some of the negative effects of sanctions being imposed on the recipient country. While the operation is financed from income accruing as a result of a limited exception to the sanctions regime, the resolution prescribes numerous safeguards to be implemented in order to ensure that the humanitarian assistance is not used for purposes other than those specifically authorized and that it benefits, in equal measure, the needy civilian population as a whole. Also, as a result of the unsettled political and military situation in the northern governorates of Iraq, the resolution lays down special arrangements for the provision of assistance to the population in that area, adding considerably to the complexity of the operation.

53. While every effort was made to anticipate potential problems in the process leading up to the conclusion of the Memorandum of Understanding on the basis of which the programme is being executed, the complicated nature of the programme, including its managerial, administrative and financial aspects, has led to a number of difficulties and delays in the initial stages of its implementation. I am pleased that the Secretariat and the various participating agencies have now been able to overcome most, if not all, of these problems, as reflected in the body of the present report. At the same time, I am troubled by the persistent lags and other difficulties encountered in the processing of applications, which have resulted in major delays in the provision of several items, in particular medicine and pharmaceutical supplies, of which there is demonstrably a critical and sometimes desperate shortage. It is my sincere hope that this situation can soon be remedied with the cooperation of all concerned so as to ensure, should the Council decide to extend the programme, that steps are taken to include in the distribution plan the necessary provisions to satisfy also the unmet needs of an urgent nature mentioned earlier in the report.

54. In the light of the experience gained in the implementation of the programme in the past six months and bearing in mind the continuing humanitarian crisis in Iraq, I recommend the renewal of the programme for a further period of six months.

Annex I

Summary of food commodity arrivals in Iraq under resolution 986 (1995), as at 28 May 1997

Commodity	Amount allocated per distribution plan (6 months) (Tons)	Total amount received[a] (Tons)	Percentage of distribution plan allocation
Vegetable ghee	127 782	29 399	23
Infant formula	8 100	3 141	39
Pulses	127 782	28 059	22
Rice	319 458	62 662	20
Salt	19 164	3 564	19
Sugar	255 564	15 475	6
Tea	19 164	1 103	6
Wheat grain	1 419 807[b]	533 315	38
Toilet soap	32 694	5 805	18
Detergent	45 768	9 125	20
Total	2 375 283	691 648	29

[a] Source: MDOU report of 28 May 1997.

[b] Distribution plan figures cite wheat flour requirements. The yield ratio of flour milled from wheat grain is estimated at 9:10.

Annex II

Arrival, distribution and current stock levels of food commodities under resolution 986 (1995) in Iraqi governorates

(Tons)

Governorate		Detergent	Toilet soap	Iodized salt	Infant formula	Tea	Wheat*	Rice	Vegetable ghee	Pulses	Total
Nineveh	Arrived	462.00	325.00	239.00	113.00	37.78	55 852.00	5 289.00	2 681.00	2 102.00	67 100.78
	Distributed	374.00	251.00	-	14.00		49 129.00	4 387.00	1 673.00	1 615.00	57 443.00
	In stock	88.00	74.00	239.00	99.00	37.78	6 723.00	902.00	1 008.00	487.00	9 657.78
Ta'mim	Arrived	264.00	201.00	71.00	113.00	53.52	-	1 670.00	1 150.00	918.00	4 440.52
	Distributed	268.00	188.00	-	12.00	-	-	1 474.00	762.00	757.00	3 461.00
	In stock	-4.00[b]	13.00	71.00	101.00	53.52	-	196.00	388.00	161.00	979.52
Baghdad	Arrived	1 772.00	1 247.00	955.00	651.00	226.80	166 256.00	9 108.00	6 510.00	5 922.00	192 647.80
	Distributed	1 206.00	876.00	-	89.00	-	119 976.00	3 686.00	3 362.00	3 630.00	132 825.00
	In stock	566.00	371.00	955.00	562.00	226.80	46 280.00	5 422.00	3 148.00	2 292.00	59 822.80
Salahaddin	Arrived	330.00	273.00	134.00	112.00	37.78	8 115.00	2 167.00	1 174.00	976.00	13 318.78
	Distributed	284.00	199.00	-	12.00	-	6 551.00	1 903.00	806.00	759.00	10 514.00
	In stock	46.00	74.00	134.00	100.00	37.78	1 564.00	264.00	368.00	217.00	2 804.78
Diyala	Arrived	308.00	251.00	100.00	74.00	40.64	37 631.00	2 864.00	1 067.00	1 206.00	43 541.64
	Distributed	308.00	223.00	-	14.00	-	35 357.00	2 381.00	1 043.00	960.00	40 286.00
	In stock	-	28.00	100.00	60.00	40.64	2 274.00	483.00	24.00	246.00	3 255.64
Anbar	Arrived	374.00	293.00	197.00	112.00	58.04	3 101.00	2 869.00	1 003.00	1 231.00	9 238.04
	Distributed	320.00	224.00	-	17.00	-	1 041.00	2 273.00	909.00	898.00	5 682.00
	In stock	54.00	69.00	197.00	95.00	58.04	2 060.00	596.00	94.00	333.00	3 556.04
Babil	Arrived	255.00	167.00	172.00	69.00	40.57	32 717.00	1 536.00	1 048.00	1 045.00	37 049.57
	Distributed	255.00	166.00	-	7.00	-	24 790.00	1 495.00	725.00	710.00	28 148.00
	In stock	-	1.00	172.00	62.00	40.57	7 927.00	41.00	323.00	335.00	8 901.57

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Governorate		Detergent	Toilet soap	Iodized salt	Infant formula	Tea	Wheat*	Rice	Vegetable ghee	Pulses	Total
Karbala	Arrived	220.00	155.00	128.00	93.00	36.04	16 996.00	1 710.00	742.00	804.00	20 874.04
	Distributed	220.00	154.00	-	11.00	-	14 221.00	1 563.00	626.00	579.00	17 374.00
	In stock	-	1.00	128.00	82.00	36.04	2 775.00	147.00	116.00	225.00	3 500.04
Najaf	Arrived	308.00	248.00	94.00	93.00	37.12	16 255.00	2 108.00	1 038.00	835.00	21 016.12
	Distributed	258.00	143.00	-	25.00	-	15 111.00	1 937.00	772.00	686.00	18 932.00
	In stock	50.00	105.00	94.00	68.00	37.12	1 144.00	171.00	266.00	149.00	2 084.12
Qadisiyah	Arrived	308.00	222.00	114.00	94.00	20.27	13 307.00	2 145.00	1 162.00	1 688.00	19 060.27
	Distributed	268.00	188.00	-	16.00	-	10 689.00	1 900.00	949.00	1 453.00	15 463.00
	In stock	40.00	34.00	114.00	78.00	20.27	2 618.00	245.00	213.00	235.00	3 597.27
Muthanna	Arrived	176.00	120.00	78.00	113.00	20.30	9 459.00	1 303.00	589.00	603.00	12 461.30
	Distributed	161.00	113.00	-	16.00	-	7 913.00	830.00	454.00	421.00	9 908.00
	In stock	15.00	7.00	78.00	97.00	20.30	1 546.00	473.00	135.00	182.00	2 553.30
Basrah	Arrived	574.00	349.00	165.00	280.00	145.48	34 584.00	4 547.00	1 678.00	1 759.00	44 081.48
	Distributed	574.00	350.00	-	49.00	-	32 917.00	4 223.00	1 412.00	1 461.00	40 986.00
	In stock	-	-1.00*	165.00	231.00	145.48	1 667.00	324.00	266.00	298.00	3 095.48
Maysan	Arrived	264.00	200.00	114.00	169.00	20.30	7 132.00	1 836.00	720.00	812.00	11 267.30
	Distributed	238.00	124.00	-	40.00	-	5 556.00	1 673.00	669.00	618.00	8 918.00
	In stock	26.00	76.00	114.00	129.00	20.30	1 576.00	163.00	51.00	194.00	2 349.30
Dhi Qar	Arrived	352.00	252.00	214.00	223.00	93.04	19 203.00	3 469.00	1 814.00	1 380.00	27 000.04
	Distributed	352.00	252.00	-	27.00	-	16 527.00	2 840.00	1 136.00	1 068.00	22 202.00
	In stock	-	-	214.00	196.00	93.04	2 676.00	629.00	678.00	312.00	4 798.04
Wasit	Arrived	277.00	201.00	152.00	74.00	37.78	25 093.00	2 126.00	886.00	991.00	29 837.78
	Distributed	277.00	194.00	-	11.00	-	19 851.00	1 904.00	787.00	788.00	23 812.00
	In stock	-	7.00	152.00	63.00	37.78	5 242.00	222.00	99.00	203.00	6 025.78

Governorate		Detergent	Toilet soap	Iodized salt	Infant formula	Tea	Wheat*	Rice	Vegetable ghee	Pulses	Total
Dahuk	Arrived	260.00	153.00	97.00	172.00	24.13	12 435.00	2 076.00	978.00	908.00	17 003.13
	Distributed	173.00	121.00	-	15.00		11 468.00	1 128.00	434.00	439.00	13 778.00
	In stock	87.00	32.00	97.00	157.00	24.13	867.00	948.00	544.00	469.00	3 225.13
Erbil	Arrived	334.00	257.00	140.00	205.00	49.50	19 466.00	2 667.00	1 372.00	1 292.00	25 782.50
	Distributed	152.00	107.00	-	54.00		19 213.00	1 079.00	431.00	647.00	21 683.00
	In stock	182.00	150.00	140.00	151.00	49.50	253.00	1 588.00	941.00	645.00	4 099.50
Sulaymaniyah	Arrived	330.00	311.00	280.00	251.00	73.75	23 547.00	3 284.00	1 617.00	1 454.00	31 147.75
	Distributed	166.00	116.00	-	11.00		17 511.00	1 176.00	470.00	437.00	19 887.00
	In stock	164.00	195.00	280.00	240.00	73.75	6 036.00	2 108.00	1 147.00	1 017.00	11 260.75
Total	Arrived	7 168.00	5 225.00	3 444.00	3 011.00	1 052.84	501 049.00	52 774.00	27 219.00	25 926.00	626 868.84
	Distributed	5 854.00	3 989.00	-	440.00		407 821.00	37 852.00	17 420.00	17 926.00	491 302.00
	In stock	1 314.00	1 236.00	3 444.00	2 571.00	1 052.84	93 228.00	14 922.00	9 799.00	8 000.00	135 566.84

Source: MDOU report of 28 May 1997

* Distribution plan figures cite wheat flour requirements. The yield ratio of flour milled from wheat grain is estimated at 9:10

[a] Because arrivals were insufficient for complete distribution, governorate warehouses used their own stocks to make up the balance.

[b] In Ta'mim, four mills receive wheat to produce flour for Sulaymaniyah governorate (shown under Sulaymaniyah). The other mill in Ta'mim receives wheat from Diyala governorate (it produces 6 per cent of Ta'mim's flour requirement). Diyala supplies the remaining 94 per cent of Ta'mim's flour requirement (shown under Diyala).

Annex III

Observations under resolution 986 (1995) from 20 March to 30 May 1997

Governorate	Number of observations by geographical observers	Number of observations by sectoral observers[a]	Total
Southern and central			
Anbar	71	57	128
Babil	236	82	318
Baghdad	1 186	216	1 402
Basrah	551	105	656
Dhi Qar	301	59	360
Diyala	351	75	426
Karbala	79	53	132
Maysan	247	52	299
Muthanna	85	40	125
Najaf	58	57	115
Nineveh	98	58	156
Qadisiyah	142	50	192
Salahaddin	189	62	251
Ta'mim	518	26	544
Wasit	115	21	176
Total, southern and central governorates	4 227	1 053	5 280
Total, three northern governorates	43	26 052[b]	26 095
Grand total	4 270	27 105	31 375

[a] Observations by international WFP staff.

[b] Sectoral observations in the three northern governorates were made by national staff supervised by three international WFP staff.